GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:4805
ANSWERED ON:09.05.2007
TAX ON INTERCONNECT USAGE CHARGES
Patel Shri Kishanbhai Vestabhai;Singh Shri Sugrib

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether the Government proposes to impose tax on the interconnect usage charges;

(b) if so, the details thereof; and

(c) the extent to which mobile charges are likely to be increased thereafter?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SHAKEEL AHMAD)

(a) & (b) Yes, Sir. In the Finance Bill, 2007, a new definition of 'telecommunication service' has been incorporated vide clause (104) of section 65 of the Finance Act, 1994 and Inter Connect Usage Charges has been specifically incorporated in the definition of 'telecommunication service' to make it a taxable service. Further, any service provided or to be provided, to any person, by a telegraph authority in relation to 'telecommunication service' has been made taxable. This amendment will come into effect from a date to be notified by the Government after enactment of Finance Bill, 2007. Therefore, after this amendment come into effect, service tax would be applicable to IUC charges.

(c) Levy of the proposed service tax on IUC would result in an increase in the overall cost of provision of inter -operator calls.